

1 Charge and main rate for financial year 2013

- (1) Corporation tax is charged for the financial year 2013.
- (2) For that year the rate of corporation tax is –
 - (a) 24% on profits of companies other than ring fence profits, and
 - (b) 30% on ring fence profits of companies.
- (3) In subsection (2) “ring fence profits” has the same meaning as in Part 8 of CTA 2010 (see section 276 of that Act).

2 Small profits rate and fractions for financial year 2012

- (1) For the financial year 2012 the small profits rate is –
 - (a) 20% on profits of companies other than ring fence profits, and
 - (b) 19% on ring fence profits of companies.
- (2) For the purposes of Part 3 of CTA 2010, for that year –
 - (a) the standard fraction is 1/80th, and
 - (b) the ring fence fraction is 11/400ths.
- (3) In subsection (1) “ring fence profits” has the same meaning as in Part 8 of that Act (see section 276 of that Act).

EXPLANATORY NOTE

**CORPORATION TAX: CHARGE AND MAIN RATE FOR
FINANCIAL YEAR 2013**

SUMMARY

1. This clause charges corporation tax (CT) for the financial year beginning 1 April 2013 and sets the main rate of CT at 30 per cent on oil and gas ring fence profits and 24 per cent on non-ring fence profits.

DETAILS OF THE CLAUSE

2. Subsections (1) and (2) set the charge and the main rate of CT for the financial year 2013.

BACKGROUND NOTE

3. The main rate of CT is paid by companies with profits of more than £1,500,000 (the upper profits limit).
4. Where two or more companies are associated with one another, the profits limit is reduced. This is done by dividing the limit by the number of associated companies.
5. Profits from oil extraction and oil rights in the UK and the UK Continental Shelf (“ring fence profits”) will continue to be subject to a separate main rate of CT applicable to those ring fenced profits. Profits from activities which are not ring fenced will continue to be charged at the main rate of CT applicable to all other profits.
6. If you have any questions about this change, or comments on the legislation, please contact Simon Moulden on 020 7147 2629 (email: simon.moulden@hmrc.gsi.gov.uk).

EXPLANATORY NOTE

**CORPORATION TAX: SMALL PROFITS RATE AND FRACTIONS
FOR FINANCIAL YEAR 2012**

SUMMARY

1. This clause sets the small profits rate of corporation tax (CT) for the financial year beginning 1 April 2012 at 20 per cent for all profits apart from “ring fence profits” of North Sea oil companies, where the rate is set at 19 per cent. Additionally, it sets the fraction used in calculating marginal relief from the main rate at 1/80 for all profits apart from “ring fence profits”, where the fraction is set at 11/400.

DETAILS OF THE CLAUSE

2. Subsection (1) sets the small profits rate of CT for the financial year 2010.
3. Subsection (2) sets the marginal relief standard and ring fence fractions.

BACKGROUND NOTE

4. Companies with profits up to £300,000 pay CT at the small profits rate.
5. Companies with profits between £300,000 and £1,500,000 (the lower and upper limits) benefit from marginal relief from the main rate.
6. Marginal relief has the effect of gradually increasing the rate of tax for a company as its profits move from the lower to the upper profits limit.
7. The example below illustrates the effect of marginal relief for a company with taxable non-ring fence profits of £500,000. Its tax liability is calculated as follows:

£500,000 @ 25 per cent	£125,000
minus 1/80 of £1,000,000*	£12,500
Tax payable:	£112,500

* £1,000,000 is the difference between the upper limit and the profit.

8. The example below illustrates the effect of marginal relief for a company with taxable ring fence profits of £500,000. Its tax liability is calculated as follows:

£500,000 @ 30 per cent	£150,000
minus 11/400 of £1,000,000*	£27,500
Tax payable:	£122,500

* £1,000,000 is the difference between the upper limit and the profit.

9. Where two or more companies are associated with one another, the profits limits are divided by the number of associated companies.
10. If you have any questions about this change, or comments on the legislation, please contact Simon Moulden on 020 7147 2629 (email: simon.moulden@hmrc.gsi.gov.uk).